

Department of the Treasury
Office of Thrift Supervision

Transmittal



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The attached final rule revises existing flood insurance regulations dealing with loans on property in flood hazard areas and implements the National Flood Insurance Reform Act of 1994. The rule was adopted jointly by the OTS and the other federal agencies regulating lending institutions.

The rule establishes new escrow requirements for flood insurance premiums, requires a regulated lender or a servicer acting on its behalf to purchase or "force place" flood insurance for the borrower if the lender or servicer determines that adequate coverage is lacking, enhances consumer flood hazard notice requirements, and permits lenders to charge reasonable fees for determining whether a property is located in a special flood hazard area.

Definitions for "residential improved real estate" and "special flood hazard area" were added to streamline the regulation and make it easier to understand. The rule also clarifies that although the flood insurance requirements apply when a loan is made, they do not apply when that loan is purchased in the secondary market.

The final rule was published in the August 29, 1996, edition of the *Federal Register*, Vol. 61, No. 169, pp. 45683-45716.

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A handwritten signature in black ink that reads "Jonathan L. Fiechter".

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Attachments